

AR53

See ANGLO AMERICAN
CORP.

CHARTER CONSOLIDATED LTD

DEBHOLD (CANADA) LIMITED

1966 Annual Report

Debhold (Canada) Limited

Directors

ALLAN GRAYDON, Q.C.
Senior Partner, Blake, Cassels & Graydon

IAN D. DAVIDSON, C.B.E.
Vice-President, Western Assurance Company

RHYS M. SALE, LL.D., D.Sc.
Director, Ford Motor Company of Canada Limited

SIR KEITH C. ACUTT, K.B.E.
*Deputy Chairman, Anglo American Corporation
of South Africa Limited*

GREY C. FLETCHER, M.C.
*Director, Anglo American Corporation
of South Africa Limited*

Officers

SIR KEITH C. ACUTT, K.B.E., *Chairman*

ALLAN GRAYDON, Q.C., *President*

T. P. SULLIVAN, C.A., *Secretary-Treasurer*

TRANSFER AGENT AND REGISTRAR
National Trust Company, Limited

BANKERS
Canadian Imperial Bank of Commerce

SOLICITORS
Blake, Cassels & Graydon

AUDITORS
Deloitte, Plender, Haskins & Sells

Report of the Directors

The company was incorporated under the laws of the Province of Ontario on June 9th, 1966 and on June 28th, 1966 issued 516,375 common shares with a par value of \$10 each for an aggregate consideration of \$5,388,750. All the common shares are owned by subsidiary companies of De Beers Consolidated Mines, Limited, a public company registered in the Republic of South Africa. On June 29th, 1966, following a private placement in Canada, the company issued 150,000 6% Cumulative Redeemable Preference Shares, Series A, for \$15,000,000 in cash and on September 27th, 1966, following a public offering in Canada, 100,000 6 $\frac{1}{4}$ % Cumulative Redeemable Preference Shares, Series B, were issued for \$10,000,000 in cash. Under agreements entered into with De Beers Consolidated Mines, Limited that company has guaranteed the payment of dividends, capital and redemption premiums (if any) on the Series A and Series B preference shares. The Series B preference shares are listed on the Toronto and Montreal Stock Exchanges.

Of the total capital funds raised by the company, \$23,138,750 has been invested in shares of Anglo American Corporation of Canada Limited and some \$7,000,000 has been retained in cash and in short term loans and deposits.

Anglo American Corporation of Canada Limited (Amcan) was formed early in 1965 and in the second half of 1966 was enlarged to consolidate the major part of the Canadian assets of the Anglo American Corporation of South Africa Limited, De Beers Consolidated Mines, Limited, and Charter Consolidated Limited groups of companies. Following the enlargement, companies managed by The Investors Group acquired a shareholding in Amcan, whose issued capital is now 8,429,545 shares, of which your company holds 2,163,875 shares equal to 25.67%.

At December 31st, 1966 the assets of Amcan and its wholly owned subsidiaries comprised shareholdings in listed Canadian companies with an aggregate market value of \$66,454,438; unlisted Canadian interests with a directors' valuation of \$1,858,169, including a substantial holding in Baffinland Iron Mines Limited; and South African securities with a market value of \$9,975,000. The remaining net assets of Amcan at the year end amounted to \$1,127,052 and the total value of its consolidated net assets, taking listed securities at market values and unlisted at directors' valuation, amounted to \$79,414,659. The proportion of this sum attributable to the shareholding interest of Dehold (Canada) Limited amounted to

\$20,385,845. The two major investments of Amcan at the end of 1966 were its holdings of 644,000 shares in Hudson Bay Mining and Smelting Co., Limited and 264,000 shares in McIntyre Porcupine Mines Limited. At that date the combined market value of these two holdings represented some 79% of the total consolidated net assets of Amcan.

The net income of Amcan for the year ended December 31st, 1966 was \$2,023,801 and \$1,206,716 was distributed in dividends of 7½ cents per share in each of September and December, 1966. It should be kept in mind that since the enlargement of Amcan was not completed until the third quarter, the income shown in the accounts does not reflect the potential annual revenue from the assets held at the year end.

The total income of your company for the period from incorporation to December 31st, 1966 was \$434,823, made up in large part by dividends from the company's holding in Amcan. Expenses for the period, which included non-recurring legal and audit fees of approximately \$30,700, amounted to \$49,216 and, after providing \$61,512 for income taxes, the net income was \$324,095. After the transfer of \$337,690 from contributed surplus arising from guarantees relating to the preference

shares, a total amount of \$661,785 became available. Dividends on the preference shares absorbed \$493,125 and after writing off incorporation expenses, retained earnings amounting to \$151,756 were carried forward.

Copies of the Directors' Report and Accounts of De Beers Consolidated Mines, Limited for the year ended December 31st, 1966 will be sent, as soon as they are issued, to the holders of your company's Series A and Series B preference shares. However, in a preliminary statement issued on March 15th, 1967, De Beers Consolidated Mines, Limited reported record consolidated profits for 1966 of \$144,025,000 (figures converted to Canadian dollars at the rate of R1 = \$1.50). After allowing for outside interests in the profits of subsidiary companies, the net profit attributable to De Beers Consolidated Mines, Limited was \$129,535,000 (excluding the interest in the aggregate net loss of certain subsidiary companies, not consolidated, amounting to \$4,452,000) which was an increase of \$20,251,000 over the figures for the previous year. Dividends distributed totalled \$58,603,000.

On behalf of the Board

IAN D. DAVIDSON
Director

April 14th, 1967.

BALANCE SHEET

as at December 31, 1966

DEBHOLD (CANADA) LIMITED
(Incorporated under The Corporations Act, Ontario)**ASSETS****CURRENT ASSETS:**

Cash.....	\$ 4,064
Term deposits with bankers.....	3,000,000
Loans receivable.....	2,313,883
Short-term note—at cost, plus accrued interest.....	1,790,568
Accrued interest receivable.....	17,747
Prepaid expenses.....	3,100
Total current assets.....	<u>7,129,362</u>

INVESTMENT—at cost (Note 1):

2,163,875 shares of Anglo American Corporation of Canada Limited.....	23,138,750
SHARE ISSUE EXPENSES—at cost, less accumulated amortization of \$6,494 (Note 2).....	324,756
TOTAL.....	<u>\$30,592,868</u>

LIABILITIES AND SHAREHOLDERS' EQUITY**CURRENT LIABILITIES:**

Accounts payable and accrued charges.....	\$ 7,800
Income taxes payable.....	37,062
Advance from parent company.....	7,500
Total current liabilities.....	<u>52,362</u>

SHAREHOLDERS' EQUITY:**Capital stock (Notes 3, 4, 5 and 6):****Authorized:**

- 300,000 preference shares with a par value of \$100 each (issuable in series)
- 600,000 common shares with a par value of \$10 each

Issued and fully paid:

150,000 6% Cumulative Redeemable Preference Shares, Series A.....	\$15,000,000
100,000 6 $\frac{1}{4}$ % Cumulative Redeemable Preference Shares, Series B.....	10,000,000
516,375 common shares.....	<u>5,163,750</u>
	30,163,750
Contributed surplus—arising from the issuance of common shares (Note 4).....	225,000
Contributed surplus—arising under guarantees (Note 3).....	—
Retained earnings.....	<u>151,756</u>
Total shareholders' equity.....	30,540,506
TOTAL.....	<u>\$30,592,868</u>

Approved by the Board:

R. M. SALE, *Director*IAN D. DAVIDSON, *Director**The accompanying notes are an integral part of the financial statements.*

STATEMENT OF INCOME AND RETAINED EARNINGS

DEBHOLD (CANADA) LIMITED

for the period from incorporation, June 9, 1966, to December 31, 1966

INCOME:

Dividends.....	\$287,081
Interest.....	147,742
Total income.....	434,823

EXPENSES (Note 7):

Administration and secretarial.....	\$ 3,500
Audit fees.....	6,800
Legal fees and expenses.....	26,759
Miscellaneous.....	1,010
Stationery and office expenses.....	7,742
Transfer agent and registrar fees and expenses.....	3,405
Total expenses.....	49,216

INCOME FOR THE PERIOD BEFORE INCOME TAXES..... 385,607

PROVISION FOR INCOME TAXES..... 61,512

NET INCOME FOR THE PERIOD..... 324,095

ADD:

Transfer from contributed surplus arising under guarantees.....	337,690
	661,785

LESS:

Dividends on 6% Cumulative Redeemable Preference Shares, Series A.....	381,525
Dividend on 6¼% Cumulative Redeemable Preference Shares, Series B.....	111,600
Incorporation expenses written off.....	10,410
Amortization of share issue expenses (Note 2).....	6,494
RETAINED EARNINGS, DECEMBER 31, 1966.....	\$151,756

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF CONTRIBUTED SURPLUS
ARISING UNDER GUARANTEES**

DEBHOLD (CANADA) LIMITED

for the period from incorporation, June 9, 1966, to December 31, 1966

RECEIVED DURING THE PERIOD (Note 3).....	\$337,690
LESS:	
Transfer to retained earnings.....	337,690
BALANCE, DECEMBER 31, 1966.....	<u>\$ —</u>

**STATEMENT OF SOURCE AND
APPLICATION OF FUNDS**

for the period from incorporation, June 9, 1966, to December 31, 1966

SOURCE OF FUNDS:

Operations for the period.....	\$ 324,095
Contributions under guarantees.....	337,690
Capital stock issued:	
Common shares.....	5,388,750
6% Cumulative Redeemable Preference Shares, Series A.....	15,000,000
6 $\frac{1}{4}$ % Cumulative Redeemable Preference Shares, Series B.....	10,000,000
Total funds provided.....	<u>31,050,535</u>

APPLICATION OF FUNDS:

Investment acquired:	
2,163,875 shares of Anglo American Corporation of Canada Limited.....	\$23,138,750
Dividends paid:	
6% Cumulative Redeemable Preference Shares, Series A.....	381,525
6 $\frac{1}{4}$ % Cumulative Redeemable Preference Shares, Series B.....	111,600
Share issue expenses.....	331,250
Incorporation expenses.....	<u>10,410</u>
Total funds applied.....	23,973,535
WORKING CAPITAL, DECEMBER 31, 1966.....	<u>\$ 7,077,000</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1966

DEBHOLD (CANADA) LIMITED

1. The company's investment in 2,163,875 shares of Anglo American Corporation of Canada Limited represents 25.67% of the outstanding shares of that company.

2. Share issue expenses, representing commissions paid on the issue of the Series A and B preference shares, are being amortized on a straight-line basis to 1981, the period during which these shares are not redeemable (Notes 5 and 6).

3. Under an agreement dated as of June 15, 1966, relating to the Series A preference shares, and an agreement dated as of August 15, 1966, relating to the Series B preference shares, De Beers Consolidated Mines, Limited guaranteed to provide the company with sufficient distributable surplus and cash to enable it to pay:

- (a) on each dividend date the full dividend accrued to such date on the Series A and B preference shares then outstanding,
- (b) on any date on which any of the Series A and B preference shares have been called for redemption, the full then current redemption price of such Series A and B preference shares, and
- (c) on the winding up or liquidation of the company, the full then liquidation price of the Series A and B preference shares then outstanding.

During the period from incorporation, June 9, 1966, to December 31, 1966 De Beers Consolidated Mines, Limited contributed \$337,690 under the guarantees.

4. On June 28, 1966 the company issued 516,375 common shares for an aggregate consideration of \$5,388,750, of which \$2,250,000 was received in cash and \$3,138,750

was satisfied by a transfer of securities. The aggregate consideration exceeded the par value of the shares issued by \$225,000 and that amount was credited to contributed surplus.

5. Under letters patent dated June 9, 1966, 150,000 of the authorized preference shares were designated 6% Cumulative Redeemable Preference Shares, Series A. The Series A preference shares are redeemable at any time after June 1, 1981 and on or before June 1, 1982 at a price of \$102.50 and thereafter at prices decreasing by \$0.50 annually until June 1, 1986 and thereafter at par, in each case together with accrued and unpaid dividends. On June 29, 1966 the company issued 150,000 6% Cumulative Redeemable Preference Shares, Series A for \$15,000,000 in cash.

6. Under supplementary letters patent dated August 15, 1966, as amended by supplementary letters patent dated August 31, 1966, 100,000 of the authorized preference shares were designated 6 $\frac{1}{4}$ % Cumulative Redeemable Preference Shares, Series B. The Series B preference shares are redeemable at any time after September 1, 1981 and on or before September 1, 1982 at a price of \$102.50 and thereafter at prices decreasing by \$0.50 annually until September 1, 1986 and thereafter at par, in each case together with accrued and unpaid dividends. On September 27, 1966 the company issued 100,000 6 $\frac{1}{4}$ % Cumulative Redeemable Preference Shares, Series B for \$10,000,000 in cash.

7. Total expenses for the period include non-recurring legal and audit fees of approximately \$30,700.

Auditors' Report

To the Shareholders of
Debhold (Canada) Limited:

We have examined the balance sheet of Debhold (Canada) Limited as at December 31, 1966 and the statements of income and retained earnings, contributed surplus arising under guarantees, and of source and application of funds for the period from incorporation, June 9, 1966, to December 31, 1966. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying financial statements present fairly the financial position of the company as at December 31, 1966 and the results of its operations and the source and application of its funds for the period ended on that date, in accordance with generally accepted accounting principles consistently applied.

DELOITTE, PLENDER, HASKINS & SELLS
Chartered Accountants.

Toronto, Ontario, January 20, 1967.

